

CITY OF JESUP

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2013

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 15-16
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 18
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	C 19
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D 20
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	E 21
Notes to Financial Statements	22-29
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	31-32
Notes to Other Information - Budgetary Reporting	33
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 35-36
Schedule of Indebtedness	2 37-38
Bond and Note Maturities	3 39
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4 41-42
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	43-44
Schedule of Findings and Questioned Costs	45-48
Staff	49

City of Jesup

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Quackenbush	Mayor	January 2014
David Bishop	Council Member	January 2014
James Geweke	Council Member	January 2014
Darren Engbretson	Council Member	January 2016
Todd Rohlfson	Council Member	January 2016
Marsha McGlaughlin	Council Member	January 2016
LeAnn Even	City Clerk	
Koley Mead	Deputy City Clerk	
Chris Even	Public Works Director	
Carter Stevens	City Attorney	

City of Jesup



Donald A. Weber, C.P.A.
David L. Fox, C.P.A.
Dana J. Elliott, C.P.A.

641 Young Street
Jesup, IA 50648
(319)827-6600
Fax (319)827-2121
rfsw.com

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jesup's basic financial statements. The financial statements and supplemental data for the years ended June 30, 2004 through June 30, 2012 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report, who expressed unqualified opinions on those financial statements and supplemental data. The supplementary information included in Schedules 1 through 4, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards;. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 31 through 33 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2013 on our consideration of the City of Jesup's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Jesup's internal control over financial reporting and compliance.

Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

October 10, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Jesup provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- The City's total receipts for governmental activities increased approximately \$627,982 over fiscal year 2012. The total cost of all governmental activities programs and services decreased approximately \$1,842,970. The increase in receipts was primarily the result of receiving note proceeds of \$1,264,652 to pay for street improvements. The decrease in disbursements was due primarily to capital projects.
- The City's governmental activities cash balance at June 30, 2013 increased approximately \$747,911, from June 30, 2012.
- The cost of all governmental activities this year was approximately \$2,808,615 compared to approximately \$4,651,585 last year. The amount taxpayers ultimately financed for these activities was approximately \$2,323,847 because some of the cost was paid by those directly benefited from the programs (\$174,789) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$309,979).

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Tax Increment Financing and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$1.758 million to approximately \$2.506 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	Year ended June 30,	
	2013	2012
Receipts:		
Program Receipts		
Charges for service	174,789	201,783
Operating grants, contributions and restricted interest	309,979	631,615
Capital grants, contributions and restricted interest	0	461,500
General Receipts		
Property and other city tax	1,160,985	1,096,393
Tax increment financing	47,368	53,241
Local option sales tax	211,158	203,268
Unrestricted interest on investments	0	10,332
Note proceeds	0	0
Bond proceeds	1,264,652	0
Other general receipts	156,661	39,478
Total receipts	<u>3,325,592</u>	<u>2,697,610</u>
Disbursements:		
Public safety	438,876	625,595
Public works	289,002	453,006
Health and social services	2,000	1,925
Culture and recreation	201,111	247,481
Community and economic development	436	42
General government	184,677	154,245
Debt service	1,024,577	580,841
Capital projects	667,936	2,588,450
Total disbursements	<u>2,808,615</u>	<u>4,651,585</u>
Change in cash basis net position before transfers	516,977	(1,953,975)
Transfers, net	<u>230,933</u>	<u>94,265</u>
Change in cash basis net position	747,910	(1,859,710)
Cash basis net position beginning of year	<u>1,758,373</u>	<u>3,618,082</u>
Cash basis net position end of year	<u>2,506,283</u>	<u>1,758,372</u>

The City's total receipts for governmental activities were approximately \$3,325,592. The total cost of all programs and services was approximately \$2,808,615, with no new programs added this year. The increase in receipts was primarily the result of receiving note proceeds of \$1,264,652 to pay for street improvements. The cash basis net position of the City's governmental activities increased approximately \$747,911 from June 30, 2012.

As shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was approximately \$2,323,847 because some of the cost was paid by those directly benefited from the programs (\$174,789) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$309,979).

Changes in Cash Basis Net Position of Business Type Activities

	<u>Year ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Receipts:		
Program Receipts		
Charges for service		
Water	325,031	317,631
Sewer	271,847	269,796
General Receipts		
Unrestricted interest on investments	2,550	2,961
Total receipts	<u>599,428</u>	<u>590,388</u>
Disbursements:		
Water	218,386	217,573
Sewer	271,526	252,589
Total disbursements	<u>489,912</u>	<u>470,162</u>
Increase in cash basis net position before transfers	109,516	120,226
Transfers, net	(230,933)	(94,265)
Change in cash basis net position	(121,417)	25,961
Cash basis net position beginning of year	535,684	509,723
Cash basis net position end of year	<u>414,267</u>	<u>535,684</u>

Total business type activities receipts for the year were approximately \$599,428 compared to approximately \$590,388 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Jesup completed the year, its governmental funds reported a combined fund balance of \$2,506,283, a increase of \$747,911 from last year's total of \$1,758,372. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$169,571 over the prior year to \$1,357,890. The increase is due to an increase in the property tax valuation.

- The Special Revenue, Road Use Tax Fund cash balance increased \$59,613 to \$94,801.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$14,904 over the prior year to \$131,148.
- The Capital Projects Fund cash balance increased \$483,700 to \$686,414. The increase was due primarily to bond proceeds of \$1,264,652 to fund several major capital projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$82,008 to \$163,361, due primarily operating transfers out of \$189,863 to help fund capital projects.
- The Sewer Fund cash balance decreased \$39,409 to \$250,906 due primarily to operating transfers out of \$41,070 to help fund capital projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 7, 2013. The amendment provided for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$49,032 more than budgeted.

Total disbursements were \$450,718 less than the amended budget. Actual disbursements for the public works, business type activities and capital projects functions were \$112,352, \$31,033 and \$226,464, respectively, less than the amended budget. This was primarily due to road work not progressing as anticipated.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$3,410,000 of outstanding notes and bonds, compared to \$3,190,000 last year, as shown below.

Outstanding Debt at Year-End

	<u>Year ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
General obligation capital loan notes	2,835,000	2,425,000
Water revenue bonds	40,000	70,000
Local option sales tax revenue bonds	535,000	595,000
Sewer revenue notes	-	100,000
Total	<u>3,410,000</u>	<u>3,190,000</u>

The City issued \$1,280,000 of general obligation capital loan notes in the current fiscal year to pay costs of constructing street, water, sanitary sewer, storm sewer and water improvements.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and local option sales tax revenue debt of \$3,370,000 is significantly below its constitutional debt limit of \$6,825,197.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Jesup's elected and appointed officials and department heads considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities.

Increases were budgeted for property and other city tax due to increased taxable property valuations.

An increase was budgeted for charges for service as the water and sewer rates were raised in June 2013.

Other financing sources and capital projects expenditures were increased for finishing the basement in City Hall and planned water main and sanitary sewer improvements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Clerk/Treasurer, PO Box 592, Jesup, Iowa 50648.

City of Jesup

Basic Financial Statements

City of Jesup

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 438,876	101,158	37,883	-
Public works	289,002	67,048	246,037	-
Health & Social Services	2,000	-	-	-
Culture and recreation	201,111	1,193	21,589	-
Community and economic development	436	-	-	-
General government	184,677	5,390	4,249	-
Debt service	1,024,577	-	221	-
Capital projects	667,936	-	-	-
Total governmental activities	2,808,615	174,789	309,979	-
Business type activities:				
Water	195,614	298,178	-	-
Sewer	271,526	271,456	-	-
Utility Deposits/Sales Tax	22,772	20,596	-	-
Total business type activities	489,912	590,230	-	-
Total	\$ 3,298,527	765,019	309,979	-

General Receipts:

Property tax levied for:	
General purposes	
Tax increment financing	
Debt service	
Local option sales tax	
Unrestricted interest on investments	
Bond proceeds, net	
Miscellaneous	
Transfers	
Total general receipts and transfers	
Change in cash basis net position	
Cash basis net position beginning of year	
Cash basis net position end of year	

Cash Basis Net Position

Restricted:

Expendable:

Debt service
Streets
Local Option Sales Tax
Capital Projects
Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(299,835)	-	(299,835)
24,083	-	24,083
(2,000)	-	(2,000)
(178,329)	-	(178,329)
(436)	-	(436)
(175,038)	-	(175,038)
(1,024,356)	-	(1,024,356)
(667,936)	-	(667,936)
(2,323,847)	-	(2,323,847)
-	102,564	102,564
-	(70)	(70)
-	(2,176)	(2,176)
-	100,318	100,318
(2,323,847)	100,318	(2,223,529)
883,840	-	883,840
47,368	-	47,368
277,145	-	277,145
211,158	-	211,158
-	2,550	2,550
1,264,652	-	1,264,652
156,661	6,648	163,309
230,933	(230,933)	-
3,071,757	(221,735)	2,850,022
747,910	(121,417)	626,493
1,758,373	535,684	2,294,057
2,506,283	414,267	2,920,550
66,447	35,921	102,368
94,801	-	94,801
65,280	-	65,280
686,414	-	686,414
725,458	-	725,458
867,883	378,346	1,246,229
2,506,283	414,267	2,920,550

City of Jesup

City of Jesup

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2013

	General	Debt Service	Capital Project	Other Nonmajor Governmental Funds	Total
Receipts:					
Property tax	\$ 668,053	277,145	-	214,732	1,159,930
Other city tax	50	-	-	211,158	211,208
Tax Increment Financing	-	-	-	47,368	47,368
Licenses and permits	21,673	-	-	-	21,673
Use of money and property	6,411	221	-	2,141	8,773
Intergovernmental	56,725	-	-	244,480	301,205
Charges for service	153,066	-	-	-	153,066
Special assessment	1,055	-	-	-	1,055
Miscellaneous	62,937	-	37,967	55,758	156,662
Total receipts	969,970	277,366	37,967	775,637	2,060,940
Disbursements:					
Operating:					
Public safety	319,760	-	-	119,116	438,876
Public works	175,684	-	-	113,318	289,002
Health & Social Services	2,000	-	-	-	2,000
Culture and recreation	164,812	-	-	36,299	201,111
Community and economic development	436	-	-	-	436
General government	151,074	-	-	33,603	184,677
Debt service	-	945,952	-	78,625	1,024,577
Capital projects	-	-	667,936	-	667,936
Total disbursements	813,766	945,952	667,936	380,961	2,808,615
Excess of receipts over disbursements	156,204	(668,586)	(629,969)	394,676	(747,675)
Other financing sources (uses):					
Bond Proceeds	-	453,995	810,657	-	1,264,652
Operating transfers in	30,894	214,474	312,072	-	557,440
Operating transfers out	(17,452)	-	(9,060)	(299,995)	(326,507)
Total other financing sources (uses)	13,442	668,469	1,113,669	(299,995)	1,495,585
Change in cash balances	169,646	(117)	483,700	94,681	747,910
Cash balances beginning of year	1,188,244	696	202,714	366,719	1,758,373
Cash balances end of year	\$ 1,357,890	579	686,414	461,400	2,506,283
Cash Basis Fund Balances					
Restricted for:					
Debt service	-	579	-	65,868	66,447
Streets	-	-	-	94,801	94,801
Local Option Sales Tax	-	-	-	65,280	65,280
Capital Projects	-	-	686,414	-	686,414
Other purposes	490,007	-	-	235,451	725,458
Unassigned	867,883	-	-	-	867,883
Total cash basis fund balances	\$ 1,357,890	579	686,414	461,400	2,506,283

See notes to financial statements

Exhibit C

City of Jesup

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2013

Total governmental funds cash balances (page 18)	\$2,506,283
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
Cash basis net position of governmental activities (page 16)	<u>\$2,506,283</u>
Change in cash balances (page 18)	\$ 747,910
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
Change in cash basis net position of governmental activities (page 16)	<u>\$ 747,910</u>
See notes to financial statements	

City of Jesup
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2013

	Water	Sewer	Utility Deposits Sales Tax	Total
Operating receipts:				
Use of money and property	\$ 1,087	1,340	123	2,550
Licenses Permits	1,200	1,000	-	2,200
Charges for service	296,978	270,456	20,596	588,030
Miscellaneous	1,583	391	4,674	6,648
Total operating receipts	300,848	273,187	25,393	599,428
Operating disbursements:				
Business type activities	195,614	271,526	22,772	489,912
Total operating disbursements	195,614	271,526	22,772	489,912
Excess (deficiency) of operating receipts over (under) operating disbursements	105,234	1,661	2,621	109,516
Transfers in (out)	(189,863)	(41,070)		(230,933)
Change in cash balances	(84,629)	(39,409)	2,621	(121,417)
Cash balances beginning of year	215,500	290,315	29,869	535,684
Cash balances end of year	\$ 130,871	250,906	32,490	414,267
Cash Basis Fund Balances				
Restricted for debt service	\$ 35,921	-	-	35,921
Unrestricted	94,950	250,906	32,490	378,346
Total cash basis fund balances	\$ 130,871	250,906	32,490	414,267

See notes to financial statements

Exhibit E

City of Jesup

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds

As of and for the year ended June 30, 2013

Total enterprise funds cash balances (page 20)	\$ 414,267
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
Cash basis net position of business type activities (page 16)	<u>\$ 414,267</u>
Change in cash balances (page 20)	\$ (121,417)
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
Change in cash basis net position of business type activities (page 16)	<u>\$ (121,417)</u>
See notes to financial statements	

City of Jesup
Notes to Financial Statements
June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Jesup is a political subdivision of the State of Iowa located in Buchanan and Black Hawk Counties. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Jesup has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Jesup (the Primary Government), and the following component units: the Jesup Fire Association, the Jesup Ambulance Crew Association, the Jesup Library Endowment Fund Incorporated, and the Friends of the Jesup Public Library. These component units are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

The Jesup Fire Association (Association) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The Association has been established pursuant to local ordinance to prevent and extinguish fires and to protect lives and property against fires, to promote fire prevention and fire safety and to answer all emergency calls for which there is no other established agency. Although the Association is legally separate from the City, its purpose is to benefit the City of Jesup (the primary government) by providing the above services and by soliciting contributions and managing those funds.

The Jesup Ambulance Crew Association (Crew Association) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Crew Association is legally separate from the City, its purpose is to benefit the City of Jesup (the primary government) by soliciting contributions and managing those funds.

The Jesup Library Endowment Fund Incorporated (Endowment) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The purpose of the Endowment is to provide additional financial support for the library, to continue the development of its collection and maintain excellent service to the public. Although the Endowment is legally separate from the City, its purpose is to benefit the City of Jesup (the primary government) by providing the above services and by soliciting contributions and managing those funds.

The Friends of the Jesup Public Library (Friends) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although Friends is legally separate from the City, its purpose is to benefit the City of Jesup (the primary government) by maintaining an association of persons interest in the Jesup Public Library, to promote and stimulate use of the Jesup Public Library, to work with and support the library staff and Board of Trustees in their efforts to inform and educate the public as to the Library's resources and services and to generate financial support for the further development of library services. Since June 2006, the City of Jesup has been responsible for accounting for the Friends of the Jesup Public Library.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: County Assessor's Conference Board, Buchanan County Emergency Management Commission, Buchanan County Economic Development, and Joint E911 Service Board. The City also participates in the Buchanan County Solid Waste Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position are reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Debt Service Fund is used to account for collection of property taxes levied for the payment of principal and interest on the City's general obligation bonds and notes.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through proprietary funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's Water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Jesup maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. At June 30, 2013 disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation capital loan notes and revenue bonds and notes are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Water Revenue Bonds		Local Option Sales Tax Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 425,000	66,411	30,000	2,000	60,000	16,475	515,000	84,886
2015	390,000	53,813	10,000	500	60,000	14,825	460,000	69,138
2016	240,000	44,688			65,000	13,175	305,000	57,863
2017	260,000	40,063			65,000	11,388	325,000	51,451
2018	265,000	35,125			70,000	9,600	335,000	44,725
2019 – 2023	1,255,000	82,407			215,000	15,500	1,470,000	97,907
Total	\$ 2,835,000	322,507	40,000	2,500	535,000	80,963	3,410,000	405,970

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$600,000 of water revenue bonds issued in November 1975. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2015. Annual principal and interest payments on the bonds are expected to require less than 26% of net receipts. The total principal and interest remaining to be paid on the bonds is \$42,500. For the current year, principal and interest paid and total customer net receipts were \$33,500 and \$300,848 respectively.

The City has pledged future local option sales tax receipts, net of specified operating disbursements, to repay \$650,000 of local option sales tax revenue bonds issued in December 2010. Proceeds from the bonds provided financing for constructing, equipping and furnishing a new City Hall. The bonds are payable solely from a portion of local option sales tax receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than

37% of net receipts. The total principal and interest remaining to be paid on the bonds is \$615,963. For the current year, principal and interest paid and local option sales tax receipts were \$78,125 and \$211,158, respectively.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions:

- (a) The bonds/notes will only be redeemed from the future earnings/receipts of the enterprise fund activity and local option sales tax receipts and the bond/note holders hold a lien on the future earnings/receipts of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and local option sales tax revenue bond/note sinking accounts within the Enterprise or Special Revenue, Local Option Sales Tax Funds for the purpose of making the bond/note principal and interest payments when due.
- (c) Specified amounts are required to be held in water and local option sales tax reserve accounts. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repair to the systems or, when necessary, for the purpose of making the principal and interest payments when due.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2013, was \$44,732, equal to the required contributions for the year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and their families. There are 10 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$610 for single coverage and \$1,521 for family coverage. For the year ended June 30, 2013, the City contributed \$119,798 and plan members eligible for benefits contributed \$29,950 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

<u>Type of benefit</u>	<u>Amount</u>
Vacation	\$ 18,877
Sick	<u>21,711</u>
Total	<u>\$ 40,588</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Special Revenue	
	Emergency	\$ 21,110
	Library	<u>534</u>
		<u>21,644</u>
General Fund		
Self Insurance	General	<u>4,251</u>
General Fund		
Parks	General	<u>5,000</u>
Capital Projects	Special Revenue	
Emergency Svcs Bldg	General	6,000
RailRoad/Culvert	Road Use Tax	14,986
	Capital Projects	
	Sevens St	877
	Young St	8,183
6 th St	Water	63,578
NW Water Main	Special Revenue	
	Local Option Sales Tax	110,000
	Water	100,000
City Hall	Special Revenue	
	Local Option Sales Tax	<u>8,448</u>
		<u>312,072</u>
Debt Service	Special Revenue	
	TIF	47,490
	Road Use Tax	97,428
	Sewer	41,070
	Water	26,285
	General	<u>2,201</u>
		<u>214,474</u>
Total		<u>\$ 557,441</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Related Party Transactions

The City had business transactions between the City and City officials during the year ended June 30, 2013 totaling \$2,526.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Construction Contracts

At June 30, 2013, the City had remaining contract balances totaling \$1,315,902 for ongoing projects. Project costs will be paid as work on the unfinished projects progresses.

(11) Employee Health Insurance Plan

The City assumes liability for claims between \$250 and \$750 for single coverage and \$500 and \$1,500 for family coverage. Claims in excess of the deductible are insured through the purchase of insurance. For the year ended June 30, 2013 payments totaling \$4,251 were recorded as disbursements in the General Fund.

(12) Litigation

The City was not subject to any pending litigation during the year.

(13) Subsequent Event

There were no subsequent events through October 10, 2013, the date of the audit report.

Other Information

City of Jesup
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,159,930	-	-
Tax increment financing collections	47,368	-	-
Other city tax	211,208	-	-
Licenses and permits	21,673	2,200	-
Use of money and property	8,773	2,550	1,226
Intergovernmental	301,205	-	-
Charges for service	153,066	588,030	-
Special assessment	1,055	-	-
Miscellaneous	156,662	6,648	53,488
Total receipts	2,060,940	599,428	54,714
Disbursements:			
Public safety	438,876	-	35,590
Public works	289,002	-	-
Health & Social Services	2,000	-	-
Culture and recreation	201,111	-	3,253
Community and economic development	436	-	-
General government	184,677	-	-
Debt service	1,024,577	-	-
Capital projects	667,936	-	-
Business type activities	-	489,912	-
Total disbursements	2,808,615	489,912	38,843
Excess of receipts over disbursements	(747,675)	109,516	15,871
Other financing sources (uses), net	1,495,585	(230,933)	-
Excess of receipts and other financing sources over disbursements and other financing uses	747,910	(121,417)	15,871
Balances beginning of year	1,758,373	535,684	146,705
Balances end of year	\$ 2,506,283	414,267	162,576

See accompanying independent auditor's report.

Net	Budgeted Amounts Final	Final to Net Variance
1,159,930	1,143,999	15,931
47,368	48,861	(1,493)
211,208	219,174	(7,966)
23,873	22,400	1,473
10,097	9,430	667
301,205	307,543	(6,338)
741,096	737,875	3,221
1,055	500	555
109,822	42,850	66,972
2,605,654	2,532,632	73,022
403,286	498,212	94,926
289,002	401,354	112,352
2,000	2,000	-
197,858	218,324	20,466
436	750	314
184,677	188,731	4,054
1,024,577	1,024,529	(48)
667,936	894,400	226,464
489,912	520,945	31,033
3,259,684	3,749,245	489,561
(654,030)	(1,216,613)	562,583
1,264,652	650,600	614,052
610,622	(566,013)	1,176,635
2,147,352	2,158,213	(10,861)
2,757,974	1,592,200	1,165,774

City of Jesup

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Funds. The annual budget may be amended during the year utilizing statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$645,436. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the Debt Service Function.

Supplementary Information

City of Jesup

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2013

	Road Use	Employee Benefits	Emergency	LOST	TIF
Receipts:					
Property tax	\$ -	193,652	21,080	-	-
Other city tax	-	-	-	211,158	-
Tax increment financing	-	-	-	-	47,368
Use of money and property	-	-	-	819	-
Intergovernmental	244,480	-	-	-	-
Charges for services	-	-	-	-	-
Special Assessment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	244,480	193,652	21,080	211,977	47,368
Disbursements:					
Operating:					
Public safety	-	83,526	-	-	-
Public works	72,452	40,866	-	-	-
Culture and recreation	-	33,046	-	-	-
Community and economic development	-	-	-	-	-
General government	-	33,603	-	-	-
Debt service	-	-	-	78,625	-
Capital projects	-	-	-	-	-
Total disbursements	72,452	191,041	-	78,625	-
Excess (deficiency) of receipts over (under) disbursements	172,028	2,611	21,080	133,352	47,368
Other financing sources:					
Operating transfers in (out)	(112,414)	-	(21,110)	(118,448)	(47,490)
Change in cash balances	59,614	2,611	(30)	14,904	(122)
Cash balances beginning of year	35,187	46,137	75	116,244	122
Cash balances end of year	\$ 94,801	48,748	45	131,148	-
Cash Basis Fund Balances					
Restricted					
Debt Service	\$ -	-	-	65,868	-
Streets	94,801	-	-	-	-
Local Option Sales Tax	-	-	-	65,280	-
Other purposes	-	48,748	45	-	-
Total cash basis fund balances	\$ 94,801	48,748	45	131,148	-

See accompanying independent auditor's report.

Special Revenue						
Housing Rehab	Library	Jesup Fire Association	Jesup Ambulance Crew Assoc.	Jesup Library Endowment Fund	Friends of the Jesup Public Library	Total
-	-	-	-	-	-	214,732
-	-	-	-	-	-	211,158
-	-	-	-	-	-	47,368
-	96	94	642	440	50	2,141
-	-	-	-	-	-	244,480
-	-	-	-	-	-	-
-	2,270	45,602	3,385	5	4,496	55,758
-	2,366	45,696	4,027	445	4,546	775,637
-	-	34,521	1,069	-	-	119,116
-	-	-	-	-	-	113,318
-	-	-	-	30	3,223	36,299
-	-	-	-	-	-	-
-	-	-	-	-	-	33,603
-	-	-	-	-	-	78,625
-	-	-	-	-	-	-
-	-	34,521	1,069	30	3,223	380,961
-	2,366	11,175	2,958	415	1,323	394,676
-	(533)	-	-	-	-	(299,995)
-	1,833	11,175	2,958	415	1,323	94,681
981	21,268	51,199	67,741	16,879	10,886	366,719
981	23,101	62,374	70,699	17,294	12,209	461,400
-	-	-	-	-	-	65,868
-	-	-	-	-	-	94,801
-	-	-	-	-	-	65,280
981	23,101	62,374	70,699	17,294	12,209	235,451
981	23,101	62,374	70,699	17,294	12,209	461,400

City of Jesup
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds/Notes:			
Capital Loan Notes, Series 2007	March 1, 2007	4.1-4.25%	\$ 400,000
Capital Loan Notes, Series 2008	July 15, 2008	3.7-4.25%	580,000
Capital Loan Notes, Series 2010	April 15, 2010	2.00-3.00%	850,000
Capital Loan Notes, Series 2011	May 1, 2011	2.50-3.40%	1,500,000
Capital Loan Notes, Series 2013A	April 1, 2013	1.25-1.85%	1,280,000
Total			
Revenue Bonds:			
Water	Nov. 25, 1975	5.00%	\$ 600,000
Local Option Sales Tax	Dec. 1, 2010	2.75-3.70%	650,000
Total			
Revenue Notes:			
Sewer	Dec. 1, 1998	5.10%	1,080,000

See accompanying independent auditor's report

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
175,000	-	175,000	-	6,254	-
375,000	-	375,000	-	15,115	-
495,000	-	195,000	300,000	12,900	-
1,380,000	-	125,000	1,255,000	39,283	-
-	1,280,000	-	1,280,000	-	-
<u>\$ 2,425,000</u>	<u>1,280,000</u>	<u>870,000</u>	<u>2,835,000</u>	<u>73,552</u>	<u>-</u>
70,000	-	30,000	40,000	3,500	
595,000	-	60,000	535,000	18,125	
<u>\$ 665,000</u>	<u>-</u>	<u>90,000</u>	<u>575,000</u>	<u>21,625</u>	<u>-</u>
 \$ 100,000	 -	 100,000	 -	 5,100	 -

City of Jesup
Bond and Note Maturities
June 30, 2013

Year Ending June 30,	General Obligation Bonds and Notes						
	Capital Loan Note Series 2010		Capital Loan Note Series 2011		Capital Loan Note Series 2013A		Total
	April 15, 2010		May 1, 2011		April 1, 2013		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2014	3.00%	\$ 150,000	2.50%	\$ 130,000	1.25%	\$ 145,000	\$ 425,000
2015	3.00%	150,000	2.50%	130,000	1.25%	110,000	390,000
2016		-	2.50%	130,000	1.25%	110,000	240,000
2017		-	2.50%	135,000	1.25%	125,000	260,000
2018		-	3.05%	140,000	1.25%	125,000	265,000
2019		-	3.05%	140,000	1.25%	130,000	270,000
2020		-	3.05%	145,000	1.45%	130,000	275,000
2021		-	3.20%	150,000	1.60%	135,000	285,000
2022		-	3.40%	155,000	1.75%	135,000	290,000
2023		-		-	1.85%	135,000	135,000
Total		<u>\$ 300,000</u>		<u>\$ 1,255,000</u>		<u>\$1,280,000</u>	<u>\$2,835,000</u>

Revenue Bonds					
Year Ending June 30,	Water		Local Option Sales Tax		Total
	Nov. 25, 1975		Dec. 1, 2010		
	Interest Rates	Amount	Interest Rates	Amount	
2014	5.00%	\$ 30,000	2.75%	\$ 60,000	\$ 90,000
2015	5.00%	10,000	2.75%	60,000	70,000
2016		-	2.75%	65,000	65,000
2017		-	2.75%	65,000	65,000
2018		-	3.00%	70,000	70,000
2019		-	3.25%	70,000	70,000
2020		-	3.50%	70,000	70,000
2021		-	3.70%	75,000	75,000
2022		-		-	-
2023		-		-	-
		<u>\$ 40,000</u>		<u>\$ 535,000</u>	<u>\$575,000</u>

See accompanying independent auditor's report

City of Jesup

City of Jesup

Schedule of Receipts by Source and Disbursements By Function
All Governmental Funds

For the Last Ten Years

	2013	2012	2011	2010
Receipts:				
Property tax	\$ 1,159,930	\$ 1,095,145	\$ 1,006,275	\$ 830,846
Tax increment financing	47,368	53,241	100,258	196,237
Other city tax	211,208	204,516	180,579	173,896
Licenses and permits	21,673	16,520	18,818	21,475
Use of money and property	8,773	11,442	12,745	16,022
Intergovernmental	301,205	880,334	766,859	267,294
Charges for service	153,066	149,866	203,817	148,209
Special assessments	1,055	2,118	6,650	25,674
Miscellaneous	156,662	266,461	167,962	234,008
Total	<u>\$ 2,060,940</u>	<u>\$ 2,679,643</u>	<u>\$ 2,463,963</u>	<u>\$ 1,913,661</u>
Disbursements:				
Operating:				
Public safety	\$ 438,876	\$ 625,595	\$ 459,888	\$ 461,475
Public works	289,002	453,006	403,864	650,275
Health & Social Services	2,000	1,925	1,925	1,925
Culture and recreation	201,111	247,481	194,326	175,873
Community and economic development	436	42	152,545	507,639
General government	184,677	154,245	144,351	137,150
Debt service	1,024,577	580,841	343,949	853,490
Capital projects	667,936	2,588,450	1,515,202	293,326
Total	<u>\$ 2,808,615</u>	<u>\$ 4,651,585</u>	<u>\$ 3,216,050</u>	<u>\$ 3,081,153</u>

See accompanying independent auditor's report

2009	2008	2007	2006	2005	2004
\$ 840,869	\$ 761,075	\$ 781,496	\$ 650,691	\$ 503,038	\$ 512,222
6,907	11,741	5,587	236,915	312,355	200,106
176,716	164,191	178,918	127,748	170,132	141,679
14,968	16,894	18,338	15,617	17,529	14,679
21,490	26,468	51,836	47,709	28,181	18,937
240,718	296,560	258,546	344,344	314,749	473,734
174,982	182,426	146,624	157,037	156,331	148,376
4,954	2,902	9,615	5,334	2,265	16,417
185,835	141,330	114,934	99,082	122,282	196,603
<u>\$ 1,667,439</u>	<u>\$ 1,603,587</u>	<u>\$ 1,565,894</u>	<u>\$ 1,684,477</u>	<u>\$ 1,626,862</u>	<u>\$ 1,722,753</u>
\$ 449,386	\$ 502,417	\$ 395,643	\$ 353,916	\$ 342,490	\$ 604,197
382,207	320,566	528,962	340,591	238,806	323,761
1,925	1,925	1,925	1,925	1,925	1,925
162,105	158,822	175,644	155,436	148,931	182,682
98,877	106,308	206,428	189,345	220,884	215,114
133,584	127,532	112,409	117,256	92,063	90,537
267,153	203,140	238,198	218,214	115,327	219,345
804,923	365,543	89,305	410,686	607,305	462,439
<u>\$ 2,300,160</u>	<u>\$ 1,786,253</u>	<u>\$ 1,748,514</u>	<u>\$ 1,787,369</u>	<u>\$ 1,767,731</u>	<u>\$ 2,100,000</u>



Donald A. Weber, C.P.A.
David L. Fox, C.P.A.
Dana J. Elliott, C.P.A.

641 Young Street
Jesup, IA 50648
(319)827-6600
Fax (319)827-2121
rfs.com

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 10, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Jesup's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Jesup's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Jesup's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Jesup's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-13 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jesup's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Jesup's Responses to Findings

The City of Jesup's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Jesup's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other persons.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Jesup during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

October 10, 2013

City of Jesup
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency and material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Jesup did not expend in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2013.

City of Jesup
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- II-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – Segregation of duties is controlled as much as possible considering the limited number of employees.

Conclusion – Response acknowledged.

- II-B-13 Preparation of Financial Statements – The City of Jesup, Iowa employs an accounting staff with the ability to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America, but the staff does not have the training or reference materials available to draft the footnotes to the financial statements; therefore, it relies on its auditors to prepare such statements.

Response – Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Jesup

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part III: Other Findings Related to Statutory Reporting:

III-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended before disbursements are allowed to exceed it in the future in accordance with Chapter 348.18 of the Code of Iowa.

Conclusion – Response accepted.

III-B-13 Questionable Disbursements – There were no disbursements noted that do not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-13 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Doug Shaffer, Ambulance Chief, Owner of Primrose Heating & Air Conditioning	Plumbing/AC Services	\$ 2,526

The above transaction presents a conflict of interest in accordance with Chapter 362.5(10) of the Code of Iowa. Total transactions exceeded \$1,500 during the year and the City did not bid any of the transactions.

Recommendation – The City should comply with Chapter 362.5 of the Code of Iowa and bid any transactions exceeding the limits.

Response – We will comply with the Code of Iowa for related business transactions.

Conclusion – Response accepted.

City of Jesup

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- III-E-13 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-13 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-H-13 Payment of General Obligation Bonds – The City properly paid for its General Obligation bonds out of the debt service fund.
- III-I-13 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- III-J-13 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.
- No instances of non-compliance with the City's TIF funds noted.
- III-K-13 Urban Renewal Annual Report – The urban renewal annual report was approved and was certified to the Iowa Department of Management on or before December 1. No other instances of non-compliances with the Urban Renewal Annual Report was noted.

City of Jesup

Staff

This audit was performed by:

Dana Elliott, CPA, Manager
Brent Waters, Staff
James Remington, Staff